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FM AMCONSUL SAO PAULO  
TO RUEHC/SECSTATE WASHDC IMMEDIATE 7843  
INFO RHEHNSC/NATIONAL SECURITY COUNCIL WASHDC IMMEDIATE  
RUEHBR/AMEMBASSY BRASILIA PRIORITY 8999  
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TAGS: [KMDR](#) [OPRC](#) [OIIP](#) [ETRD](#) [BR](#)

SUBJECT: MEDIA REACTION: ECONOMY: STOCK EXCHANGE TURBULENCE; SAO  
PAULO

#### 11. "Anxiety And Panic In The US"

IMF Managing Director Paulo Nogueira Batista Jr. (representing Brazil and eight other nations in the organization) commented in liberal, largest national circulation daily Folha de S. Paulo (1/24): "As everyone knows, the economic and financial situation here in the US is a terrible one. Brazilian immigrants, for example, have begun returning home or planning their return.... The Americans are perhaps paying the economic price for having given two terms to George W. Bush. Eight years! The result is that the nation has accumulated in these years indicators in some important areas of the economy and of the financial system that are typical of a banana republic.... The fiscal package whose general lines President Bush announced last Friday was considered vague and insufficient, thereby provoking an almost panic situation in international financial markets.... Monetary and fiscal officials underestimated the extent of the crisis and now have to act on short notice. There is certain haste in the Fed and in the Executive, as well as in the Congress. The decision to cut the prime rate, for example may have an ambiguous result, especially when made in haste."

#### 12. "Brief Relief"

Liberal, largest national circulation daily Folha de S. Paulo editorialized (1/24): "The US officials' attitude involves basically two interpretations. The optimistic, which prevailed briefly, is that the officials are willing to act promptly to prevent a recession in the US. And the pessimistic, which is once again prevailing, is that the scenario is perhaps more serious than one supposed. Therefore, it is expected that the prime rate will be reduced again on January 30. Such a prospect was reinforced by the fact that following the recent hasty cut, inflation expectations did not worsen. It is very uncertain whether a possible additional reduction in the prime rate will be enough to stop the wave of pessimism and prevent a recession in the US - or at least to shorten it, because for many analysts the world's largest economy is going through a contraction."  
White